

**BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001**

**EXPERIMENTAL PERIODICALS
Co-PALLETIZATION DROPSHIP DISCOUNTS**

Docket No. MC2002-3

**STATEMENT OF AMERICAN POSTAL WORKERS UNION, AFL-CIO
CONCERNING SETTLEMENT
(December 9, 2002)**

Periodicals communicate information about culture, politics, religion, community life and much more. They help bind this country together. Recognizing their importance to the nation, periodicals have historically received favorable rate treatment. If this rate case were solely about helping small (and often struggling) publications receive favorable rates, the American Postal Workers Union, AFL-CIO ("APWU") could support the proposed settlement without reservation. As it stands, the APWU has some reservations.

It is important to note that the current discounts for palletizing and the per piece dropship discounts for pallets had been in effect for less than three months when this case was filed. It is unclear whether those few months provided enough time for the Postal Service to assess the impact of those incentives on mailers' behavior related to palletizing and dropshipping. Furthermore, for larger periodical mailers, the current authority to commingle publications is probably sufficient to encourage them to palletize and drop ship to areas where a single publication - even one with a large national circulation - does not have sufficient volume. The proposed, additional discounts may be unnecessary.

By themselves, the proposed discounts pass through less than 100% of the Postal Service's calculated cost savings. However, when combined with the existing discounts, in particular those for barcoding where the passthrough rates are well over 100%, the total discounts seem excessive.

Several changes took place to periodical rates during the settlement process for R2001-1. In particular the per piece dropship discount for pallets, which was added during the negotiations of the settlement, was made without the

usual detailed documentation and the usual scrutiny of Postal Service documentation. Consequently, it is unclear what are the true passthroughs and avoided costs associated with the per piece palletization and dropshipping discounts added at that time. Since these proposed discounts will be in addition to those added during R2001-1, after this test the Postal Service, the parties and the Commission will need to look closely at total discounts to remove any unneeded or excessive incentives.

The APWU urges the Commission to require the Postal Service to report on the size and type of mailers that commingle and make use of the rates resulting from this case. Only in this way will the parties in the next case be able to determine whether small mailers who should benefit from these better rates were able to do so.

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CERTIFICATION

I hereby certify that I have this date served the foregoing document in accordance with the rules of practice

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